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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2015/2016 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: August, 2016

Time:

KF1 300 – CORPORATE FINANCIAL PLANNING AND STRATEGY

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) i) What is capital structure? (3 Marks)
- ii) Explain any two types of mergers that you know. (10 Marks)
- b) i) What is dividend policy? (2 Marks)
- ii) You are the finance manager of kiriri women investments and its at the end of the year, describe any two types of dividend policies that you could advice the board to follow on dividend payments. (8 Marks)
- c) What are the emerging trends in corporate finance? (7 Marks)

QUESTION TWO (20 MARKS)

- a) i) What is strategy and planning? (5 Marks)
- ii) What is the link between corporate strategy and financial planning? (5 Marks)
- b) As afresh graduate, you have been asked of the following;
- i) What is gearing? (2 Marks)
- ii) What is the optimum capital structure that an organization can have? (8 Marks)

QUESTION THREE (20 MARKS)

- a) In detail, what are four main benefits of mergers? (8 Marks)
- b) Explain four considerations to be taken into account on dividends issue. (8 Marks)
- c) How do you evaluate between the short and long term sources of finance? (4 Marks)

QUESTION FOUR (20 MARKS)

- a) In project evaluation we have to use discount rates ,When is it advisable to use WACC or CAPM in order to be able to make investment decisions? (6 Marks)
- b) i) You have freedom to choose a source of finance, What is your argument on use of debt and equity as sources of finance? (8 Marks)
- ii) What is the effect of increasing debt on equity and why? (6 Marks)

QUESTION FIVE (20 MARKS)

- a) Corporate finance is evolving, in detail. What are three emerging trends in corporate finance? (6 Marks)
- b) What are two advantages and two disadvantages of restructuring or demergers. (4 Marks)
- c) Describe any five defenses that can be applied to fend off mergers. (10 Marks)